

# EMPLOYEE BENEFITS

## Agency Mission

To provide centralized budgetary and financial control over employee fringe benefits paid by the County.

Agency Summary					
Category	FY 2000 Actual	FY 2001 Adopted Budget Plan	FY 2001 Revised Budget Plan	FY 2002 Advertised Budget Plan	FY 2002 Adopted Budget Plan
Expenditures:					
Expenditures	\$116,507,032	\$130,569,969	\$131,851,426	\$135,263,492	\$135,907,928
Reimbursements	(21,336,323)	(23,505,176)	(23,137,740)	(24,197,938)	(24,392,270)
<b>Net General Fund Fringe Benefits</b>	<b>\$95,170,709</b>	<b>\$107,064,793</b>	<b>\$108,713,686</b>	<b>\$111,065,554</b>	<b>\$111,515,658</b>
Personnel Services	\$4,856	\$13,000	\$13,000	\$13,000	\$13,000
Operating Expenses <sup>1</sup>	7,673,162	9,266,792	9,403,778	5,265,688	3,539,158
Capital Equipment	7,016	0	11,066	0	0
<b>Total Expenditures</b>	<b>\$102,855,743</b>	<b>\$116,344,585</b>	<b>\$118,141,530</b>	<b>\$116,344,242</b>	<b>\$115,067,816</b>

<sup>1</sup> Includes Training, Conferences, Workers Compensation, and Other Operating Expenses.

Summary by Cost Center					
Cost Center	FY 2000 Actual	FY 2001 Adopted Budget Plan	FY 2001 Revised Budget Plan	FY 2002 Advertised Budget Plan	FY 2002 Adopted Budget Plan
Employee Benefits	\$100,950,036	\$112,847,861	\$114,496,754	\$114,567,253	\$113,440,827
Training and Conferences <sup>1</sup>	1,905,707	3,496,724	3,644,776	1,776,989	1,626,989
<b>Total Expenditures</b>	<b>\$102,855,743</b>	<b>\$116,344,585</b>	<b>\$118,141,530</b>	<b>\$116,344,242</b>	<b>\$115,067,816</b>

<sup>1</sup> Includes Training, Conferences, Other Operating Expenses, and Capital Equipment.

## Board of Supervisors' Adjustments

***The following funding adjustments reflect all changes to the FY 2002 Advertised Budget Plan, as approved by the Board of Supervisors on April 30, 2001:***

- The 1.0 percent cost-of-living adjustment approved by the Board of Supervisors, and previously held in reserve, has been spread to County agencies and funds. This action results in an increase of \$681,054 to Employee Benefits.
- A net decrease of \$1,957,480 as part of the \$15.8 million Reductions to County Agencies and Funds approved by the Board of Supervisors. This reduction includes a decrease of \$230,950 in fringe benefits associated with position reductions, \$150,000 due to elimination of funding for the LEAD program and \$1,576,530 due to a reduction in the FY 2002 Worker's Compensation premium. The net reduction results in a decrease of \$230,950 in Personnel Services and \$1,726,530 in Operating Expenses.

***The following funding adjustments reflect all approved changes to the FY 2001 Revised Budget Plan from January 1, 2001 through April 23, 2001. Included are all adjustments made as part of the FY 2001 Third Quarter Review:***

- An increase of \$1,400,000 is required due to revised calculations for retirement expenses.

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- An increase of \$75,888 in fringe benefits is required for the conversion of 18 contract positions to merit regular status at the Gum Springs Head Start Center.
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## ***County Executive Proposed FY 2002 Advertised Budget Plan***

### **Purpose**

Agency 89, Employee Benefits is a set of consolidated accounts that provide budgetary control for most employee fringe benefits paid by the County. Benefits paid for all County employees of General Fund agencies are expended from this agency, as well as most benefits paid for County employees in Non-General Fund agencies. Reimbursements are received from Non-General Fund agencies for benefits paid on behalf of their employees.

- **Group Health Insurance**

Fairfax County Government offers its employees and retirees two health insurance alternatives. The first is a self-insured alternative including a dual option managed care plan and an out-of-area network for those employees and retirees who live outside of the managed care network area. The second alternative includes vendor-administered Health Maintenance Organizations (HMOs). The County's current health insurance plan design is a result of revisions enacted in FY 1997 and includes multiple choices, competitive premium rates, and sharing of excess retiree costs to make the County a single risk pool.

It should be noted that the self-insured health insurance choices are administered through Fund 506, Health Benefits Trust Fund. For a more detailed discussion of the County's self-insured health trust fund, refer to Fund 506, Volume 2 of the FY 2002 Advertised Budget Plan.

- **Group Life Insurance**

Life insurance coverage for employees, as approved by the Board of Supervisors beginning in FY 1999, provides group life insurance coverage at 1 times salary for all County employees funded solely through an employer contribution. If employees choose to accept life insurance coverage above this amount, they are responsible for paying the full premium based on an age-banded premium rating scale.

- **Social Security (FICA)**

Social Security contributions represent the employer portion of salary required to meet social security and medicare tax obligations for Fairfax County employees. Social Security contributions are calculated utilizing a combined rate which includes: the portion of salary contributed for Social Security benefits and the portion of salary contributed for Medicare benefits applied to a pre-determined wage base. Any change to the wage base or the Social Security rate is announced in October/November and takes effect January 1 of the upcoming year.

- **Retirement**

Retirement expenditures represent the General Fund net contribution to the three retirement systems as set by an employer contribution rate. The employer contribution rate is determined annually based on an actuarial valuation of the retirement systems. The valuation takes into account: 1) unfunded liability; 2) investment returns; 3) administrative expenses; and 4) the portion of the employer share of payroll required to fund future retirement benefits.

# EMPLOYEE BENEFITS

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In addition, retirees are eligible to receive a Cost of Living Adjustment (COLA) composed of a base COLA which is the lesser of the Consumer Price Index (CPI) for the 12 months ending on the previous year's March 31, or 4.0 percent. An additional 1.0 percent COLA can be awarded at the discretion of each retirement system's Board of Trustees. This additional COLA can either be funded through an increase in the employer contribution rate or, as in recent years, based on the favorable investment returns experienced by the retirement system it can be absorbed within the available fund balances, at no additional cost to the General Fund.

- **Virginia Retirement System (VRS)**

Beginning in FY 1996, VRS funding was provided in Agency 89 for 233 Health Department employees that were converted from State to County employment. Funding reflects the County share of payments made into the Virginia Retirement System for the converted employees. It should be noted that VRS payments are included only for these converted employees. As they terminate service with the County or transfer to other positions within the County, funding for VRS payments will be reduced.

- **Unemployment Compensation**

Unemployment compensation payments reflect premiums paid to the State based on the actual number of former Fairfax County employees filing claims.

- **Capital Projects Reimbursements**

Capital Projects reimbursements represent the reimbursable portion of fringe benefits for County employees who charge a portion of their time to capital projects.

- **Training**

General training centrally managed by the Department of Human Resources including: language skills training, to recruit and retain bilingual staff to better serve foreign-born residents; a pilot English-as-a-Second Language (ESL) program to provide assistance to County employees in improving their use of the English language; the employee tuition assistance (TAP) and language tuition assistance (LTAP) reimbursement programs, and courses related to communications, supervisory development, computer-based training, team building, and career development.

Countywide initiatives including designated training approved by the County Executive and Deputy County Executives, performance measurement training, expenses associated with the County Executive's specially designated task forces, and implementation of the new Fairfax County based LEAD program.

Information technology training in recognition of the challenges associated with maintaining skills at the same pace as technology changes. The rate of change in information technology has out-paced the County's ability to maintain proficiency. As the County's workforce becomes increasingly dependent on information technology, training support has become more essential.

- **Workers Compensation**

Workers compensation funding reflects payments to Fund 501, County Insurance Fund, for General Fund premiums. For a more detailed discussion of the County Insurance Fund, refer to Fund 501, Volume 2 of the FY 2002 Advertised Budget Plan.

- **Employee Assistance Program (EAP)**

Provision of EAP services, including assessment, intervention, diagnosis, referral, and follow-up for workplace issues as they arise is funded through a contract with an outside vendor.

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## ▪ Other Operating/Capital Equipment

The operating expenses of the Employee's Advisory Council (EAC) are funded utilizing 33 percent of the actual revenues realized from Vending Machine sales.

## FY 2002 Initiatives

### Group Health Insurance

- ◆ Health Insurance premiums of \$31,474,611, an increase of \$2,432,849 or 8.4 percent over the *FY 2001 Revised Budget Plan* level.
- ◆ Anticipated health insurance premium increases of 5.0 percent for the self-insured plan and 15.0 percent for HMOs effective January 1, 2002 based on anticipated health insurance cost growth.
- ◆ A new self-insured health insurance provider effective January 1, 2002 based on the expiration of the County's contract with the current self-insured provider on December 31, 2001. The new provider will be announced prior to the County's new calendar year open enrollment period in November 2001.

### Social Security (FICA)

- ◆ Social Security contributions total \$30,867,580, an increase of \$1,899,877 or 6.6 percent over the *FY 2001 Revised Budget Plan*, primarily reflecting a change in the federally set maximum pay base against which contributions are calculated, the grade and step of existing employees and changes in positions.
- ◆ The Social Security wage base increases from \$76,200 to \$80,400 as of January 1, 2001 for the 6.20 percent base contribution rate. The wage base against which the 1.45 percent rate for Medicare is applied remains unlimited. The overall Social Security rate remains unchanged at 7.65 percent. The wage base and/or rate change for January 1, 2002 is not yet known; any subsequent adjustments to the Social Security wage base with a fiscal impact will be included at a quarterly review during FY 2002.

### Retirement (Police, Fairfax County Employees, Uniformed, VRS)

- ◆ The FY 2002 employer contributions total \$48,367,825, a decrease of \$128,226 or 0.3 percent from the *FY 2001 Revised Budget Plan*. The net decrease is based on the impact of the reduction in the employer contribution rates as determined by the actuarial valuation of \$4.1 million, offset by a net increase of \$3.95 million for pay for performance/merit increments for current staff, new positions, and salary adjustments.
- ◆ Based on the most recent actuarial valuation, the FY 2002 employer contribution rates are recommended to decrease as outlined in the table below. It should be noted that, the net General Fund impact of these reductions has been included in the FY 2002 Advertised Budget Plan.

Fund	FY 2001 Employer Contribution Rates	FY 2002 Employer Contribution Rates	Basis Point Change	Net General Fund Impact
Police Officer	25.69	21.79	(3.90)	(\$2,592,534)
Ffx Co Employees'	6.29	6.12	(0.17)	(397,086)
Uniformed	20.11	18.93	(1.18)	(1,091,344)
<b>TOTAL</b>				<b>(\$4,080,964)</b>

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- ◆ No increase to the retirement employer Contribution rate is recommended to fund the 1 percent additional COLA for retirees. The additional COLA will be absorbed within the available fund balances at no additional cost to the General Fund.

## Training

- ◆ Beginning in FY 2002, agency-specific training will no longer be funded in Agency 89, Employee Benefits; instead the funding has been transferred to the individual agency operating budgets.
- ◆ In FY 2002, Agency 89 training totals \$1,742,150, a decrease of \$1,630,690 from the *FY 2001 Revised Budget Plan*. The decrease is based on the decision to fund agency-specific training funding in the agency operating budgets.

### ***Total FY 2002 training funding includes the following:***

- ◆ \$732,150 is included to fund General County Training programs including the sign language interpreter, language skills training, computer based training, team building and supervisory development. It should be noted that funding for supervisory development will fund an expansion of the program to an additional 300 supervisors. The focus of the program will be placed on time management, transition management and utilization of the performance evaluation system.
- ◆ \$50,000 is included to fund a pilot English-as-a-Second-Language (ESL) program in an effort to serve a portion of the County staff who require assistance in improving their use of the English language in order to better serve customers.
- ◆ \$150,000 is included to implement the LEAD Program – Fairfax County. This program will enable instructors from the Weldon Cooper Center for Public Policy at UVA to come to Fairfax County to train County employees in the management principles and career development skills offered by the LEAD program.
- ◆ \$280,000 is included for Countywide initiatives including designated training approved by the County Executive and the Deputy County Executives, performance measurement training, and expenses associated with the County Executive's specially designated task forces.
- ◆ \$120,000 is included to continue funding Microsoft Outlook training for new employees and to provide refresher courses as needed.
- ◆ \$200,000 is included to continue funding information technology training in recognition of the challenges associated with maintaining skills at the same pace as technology changes.
- ◆ \$200,000 is included for TAP reimbursement for approximately 355 employees.
- ◆ \$10,000 is included for LTAP reimbursements for approximately 40 employees.

## Worker's Compensation

- ◆ A reduction of \$2,281,369 in the General Fund worker's compensation premium reflects the General Fund portion of the savings from the cumulative impact of better than projected claims experience. This experience resulted in lower than anticipated worker's compensation liability, which is passed on to the General Fund through reduced premiums.

# EMPLOYEE BENEFITS

## Funding Adjustments

The following funding adjustments reflect all approved changes in the FY 2001 Revised Budget Plan since passage of the FY 2001 Adopted Budget Plan. Included are all adjustments made as part of the FY 2000 Carryover Review and all other approved changes through December 31, 2000:

- ◆ \$173,005 in fringe benefits primarily due to additional positions in Agency 67 for the expansion of the SACC centers at the Springhill Recreation Center and Churchill Road Elementary School; a Master Gardener position in Agency 51, Park Authority; and the implementation of the pay parity plan in the Office of the Sheriff.
- ◆ Encumbered carryover of \$148,052.

A chart summarizing Employee Benefit costs and associated reimbursements from Non-General Fund agencies and from capital projects is shown on the following two pages.

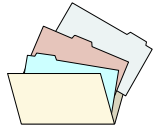
## Summary of Employee Benefits Costs by Category

BENEFIT CATEGORY	FY 2000 Actual	FY 2001 Adopted	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Amount Inc/(Dec)	Percent Inc/(Dec)
<b>Fringe Benefits</b>							
<b>Group Health Insurance</b>							
Expenditures	\$28,705,486	\$34,482,117	\$33,291,189	\$36,238,787	\$36,128,661	\$2,837,472	8.52%
Reimbursements	(4,215,560)	(5,440,355)	(4,400,556)	(4,764,176)	(4,764,176)	(363,620)	8.26%
<b>Net Cost</b>	<b>\$24,489,926</b>	<b>\$29,041,762</b>	<b>\$28,890,633</b>	<b>\$31,474,611</b>	<b>\$31,364,485</b>	<b>\$2,473,852</b>	<b>8.56%</b>
<b>Group Life Insurance</b>							
Expenditures	\$2,210,347	\$2,360,562	\$2,360,562	\$2,250,871	\$2,265,972	(\$94,590)	-4.01%
Reimbursements	(665,502)	(912,255)	(912,255)	(982,894)	(992,721)	(80,466)	8.82%
<b>Net Cost</b>	<b>\$1,544,845</b>	<b>\$1,448,307</b>	<b>\$1,448,307</b>	<b>\$1,267,977</b>	<b>\$1,273,251</b>	<b>(\$175,056)</b>	<b>-12.09%</b>
<b>FICA</b>							
Expenditures	\$36,073,254	\$38,640,465	\$38,813,470	\$40,966,864	\$41,226,689	\$2,413,219	6.22%
Reimbursements	(8,802,798)	(9,845,767)	(9,845,767)	(10,099,284)	(10,200,275)	(354,508)	3.60%
<b>Net Cost</b>	<b>\$27,270,456</b>	<b>\$28,794,698</b>	<b>\$28,967,703</b>	<b>\$30,867,580</b>	<b>\$31,026,414</b>	<b>\$2,058,711</b>	<b>7.11%</b>
<b>Fairfax County Employees' Retirement</b>							
Expenditures	\$19,898,220	\$21,056,998	\$21,132,886	\$21,738,645	\$21,878,739	\$745,853	3.53%
Reimbursements	(6,618,875)	(6,277,046)	(6,949,409)	(7,296,475)	(7,369,438)	(420,029)	6.04%
<b>Net Cost</b>	<b>\$13,279,345</b>	<b>\$14,779,952</b>	<b>\$14,183,477</b>	<b>\$14,442,170</b>	<b>\$14,509,301</b>	<b>\$325,824</b>	<b>2.30%</b>
<b>Uniformed Retirement</b>	<b>\$16,489,406</b>	<b>\$17,549,955</b>	<b>\$18,428,075</b>	<b>\$18,164,577</b>	<b>\$18,345,081</b>	<b>(\$82,994)</b>	<b>-0.45%</b>
<b>Police Retirement</b>	<b>\$11,950,073</b>	<b>\$15,120,290</b>	<b>\$16,649,541</b>	<b>\$14,725,605</b>	<b>\$14,872,861</b>	<b>(\$1,776,680)</b>	<b>-10.67%</b>
<b>Virginia Retirement System</b>	<b>\$1,054,168</b>	<b>\$1,045,854</b>	<b>\$1,045,854</b>	<b>\$1,035,473</b>	<b>\$1,045,828</b>	<b>(\$26)</b>	<b>0.00%</b>
<b>Unemployment Compensation</b>	<b>\$129,700</b>	<b>\$313,728</b>	<b>\$129,849</b>	<b>\$142,670</b>	<b>\$144,097</b>	<b>\$14,248</b>	<b>10.97%</b>
<b>Miscellaneous Reimbursements</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-</b>
<b>Capital Project Reimbursements</b>	<b>(\$1,033,587)</b>	<b>(\$1,029,753)</b>	<b>(\$1,029,753)</b>	<b>(\$1,055,109)</b>	<b>(\$1,065,660)</b>	<b>(\$35,907)</b>	<b>3.49%</b>
<b>Fringe Benefit Expenditures</b>	<b>\$116,507,031</b>	<b>\$130,569,969</b>	<b>\$131,851,426</b>	<b>\$135,263,492</b>	<b>\$135,907,928</b>	<b>\$4,056,502</b>	<b>3.08%</b>
<b>Fringe Benefit Reimbursements</b>	<b>(\$21,336,322)</b>	<b>(\$23,505,176)</b>	<b>(\$23,137,740)</b>	<b>(\$24,197,938)</b>	<b>(\$24,392,270)</b>	<b>(\$1,254,530)</b>	<b>5.42%</b>
<b>General Fund Fringe Benefits</b>	<b>\$95,170,709</b>	<b>\$107,064,793</b>	<b>\$108,713,686</b>	<b>\$111,065,554</b>	<b>\$111,515,658</b>	<b>\$2,801,972</b>	<b>2.58%</b>

# EMPLOYEE BENEFITS

BENEFIT CATEGORY	FY 2000 Actual	FY 2001 Adopted	FY 2001 Revised	FY 2002 Advertised	FY 2002 Adopted	Amount Inc/(Dec)	Percent Inc/(Dec)
<b>Personnel Services</b>							
Training - Sign Language Instructor	\$4,856	\$13,000	\$13,000	\$13,000	\$13,000	\$0	0.00%
<b>Total Personnel Services</b>	<b>\$116,511,887</b>	<b>\$130,582,969</b>	<b>\$131,864,426</b>	<b>\$135,276,492</b>	<b>\$135,920,928</b>	<b>\$4,056,502</b>	<b>3.08%</b>
<b>Operating Expenses</b>							
Tuition/Training	\$1,890,167	\$3,452,190	\$3,589,176	\$1,729,150	\$1,579,150	(2,010,026)	-56.00%
Other Operating	3,668	31,534	31,534	34,839	34,839	3,305	10.48%
Worker's Compensation	5,513,556	5,513,556	5,513,556	3,232,187	1,655,657	(3,857,899)	-69.97%
Employee Assistance Program	265,771	269,512	269,512	269,512	269,512	0	0.00%
<b>Total Operating Expenses</b>	<b>\$7,673,162</b>	<b>\$9,266,792</b>	<b>\$9,403,778</b>	<b>\$5,265,688</b>	<b>\$3,539,158</b>	<b>(\$5,864,620)</b>	<b>-62.36%</b>
<b>Capital Equipment</b>							
County-wide Task Forces	\$7,016	\$0	\$11,066	\$0	\$0	(\$11,066)	-100.00%
<b>Total Capital Equipment</b>	<b>\$7,016</b>	<b>\$0</b>	<b>\$11,066</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$11,066)</b>	<b>-100.00%</b>
<b>TOTAL EXPENDITURES</b>	<b>\$124,192,065</b>	<b>\$139,849,761</b>	<b>\$141,279,270</b>	<b>\$140,542,180</b>	<b>\$139,460,086</b>	<b>(\$1,819,184)</b>	<b>-1.29%</b>
<b>TOTAL REIMBURSEMENTS</b>	<b>(\$21,336,322)</b>	<b>(\$23,505,176)</b>	<b>(\$23,137,740)</b>	<b>(\$24,197,938)</b>	<b>(\$24,392,270)</b>	<b>(\$1,254,530)</b>	<b>5.42%</b>
<b>NET COST TO THE COUNTY</b>	<b>\$102,855,743</b>	<b>\$116,344,585</b>	<b>\$118,141,530</b>	<b>\$116,344,242</b>	<b>\$115,067,816</b>	<b>(\$3,073,714)</b>	<b>-2.60%</b>

# EMPLOYEE BENEFITS



## Employee Benefits<sup>1</sup>

### Goal

To provide centralized budgeting and financial control over employee fringe benefits paid by the County.

Cost Center Summary					
Cost Center	FY 2000 Actual	FY 2001 Adopted Budget Plan	FY 2001 Revised Budget Plan	FY 2002 Advertised Budget Plan	FY 2002 Adopted Budget Plan
Total Expenditures	\$122,286,359	\$136,353,037	\$137,634,494	\$138,765,191	\$137,833,097
Less:					
Fringe Benefit					
Reimbursements	(21,336,323)	(23,505,176)	(23,137,740)	(24,197,938)	(24,392,270)
<b>Net Cost to the County</b>	<b>\$100,950,036</b>	<b>\$112,847,861</b>	<b>\$114,496,754</b>	<b>\$114,567,253</b>	<b>\$113,440,827</b>

<sup>1</sup> It should be noted that even though most fringe benefits are budgeted in Agency 89, Employee Benefits primary responsibility for administering these benefits is managed by the Department of Human Resources, the Retirement Administration Agency, and the Risk Management Division. For more information regarding the objectives, goals and performance indicators related to the functioning of the individual programs please refer to the individual agencies/funds.



## Training and Conferences<sup>1</sup>

### Goal

To provide centralized accounts of the expenditures of funds for training and travel.

Cost Center Summary					
Category	FY 2000 Actual	FY 2001 Adopted Budget Plan	FY 2001 Revised Budget Plan	FY 2002 Advertised Budget Plan	FY 2002 Adopted Budget Plan
Total Expenditures	\$1,905,707	\$3,496,724	\$3,644,776	\$1,776,989	\$1,626,989

<sup>1</sup> It should be noted that, the Training and Conferences cost center includes tuition/training expenses, personnel services expenses for a sign language instructor and other operating expenses.